

HASLETT PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Haslett Public Schools
Haslett, Michigan

August 4, 2006

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Haslett Public Schools, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Haslett Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Haslett Public Schools as of June 30, 2006 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Haslett Public Schools

August 4, 2006

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2006, on our consideration of Haslett Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xiii and 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Haslett Public Schools' basic financial statements. The additional information on pages 29 to 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the 2005-06 fiscal year, the District continued to present Governmental Accounting Standards Board (GASB) Statement #34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. This section of the Haslett Public School's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006.

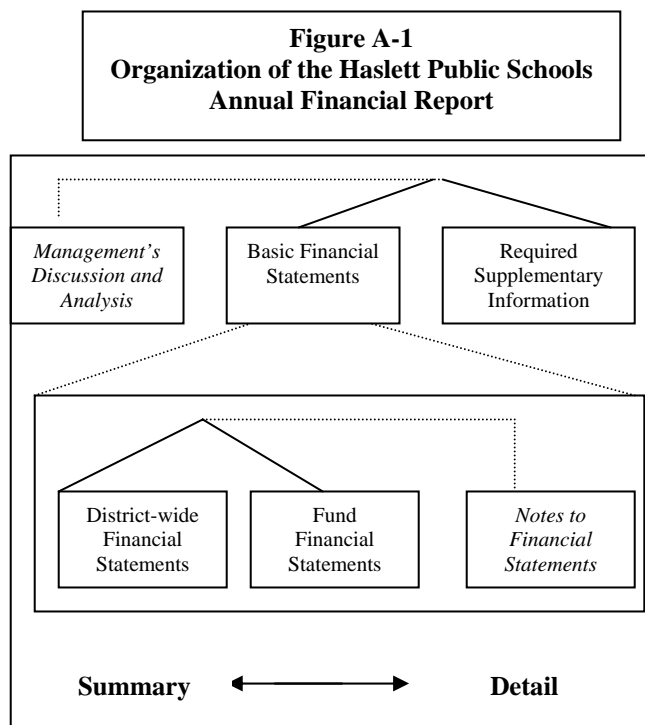
FINANCIAL HIGHLIGHTS

- Governmental funds revenues increased 4.8 percent to \$31.9 million. Expenditures decreased 12.5 percent to \$35.8 million, mainly due to expenses from the 2001 bond issue.
- General Fund revenues were \$26.1 million, \$162,000 less than General Fund expenditures and transfers.
- State Aid Foundation Allowance increased by \$175 per student to \$7,033 per student.
- The District's fall student count held steady at 2,920 pupils, a decrease of 4 students over last year.
- The District participates in the School Bond Loan Fund, which allows districts to maintain level debt millages throughout the life of a bond issue. This feature of the SBLF can, however, create a net deficit in the District wide financial statements in the short term, with future debt millages restoring the net assets of the District once the bonded debt is reduced. The District reduced its outstanding long-term debt \$1.1 million or 2.0 percent.
- The total taxable value of property in the District increased 6.2 percent. The five-year average for taxable value increases remains strong at 7.4 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> * Statement of net assets * Statement of activities 	<ul style="list-style-type: none"> * Balance sheet * Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> * Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Haslett Public School's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets (deficit) – The District’s *combined* net deficit increased by \$355,786 during the year. The combined net deficit was more on June 30, 2006, than the year before, increasing from (\$11.3) million to (\$11.6) million.

The District’s net deficit results from participating for many years in the School Bond Loan Fund (SBLF) program. This program allows districts to levy the same debt service property tax millage rate over the life of a bond issue. During the early years of participation in the SBLF, the property tax levy is less than is required for debt service and districts in the program borrow from the SBLF to make up the difference. During the later years of participation, the property tax levy remains level and is greater than is required for debt service. Districts use the excess to pay back the SBLF. It is projected that the District will begin repaying the SBLF in 2011-12 and over the subsequent years will eliminate the District’s deficit. The District has been in the SBLF for 35 years. It is important to note that the Board of Education has full authority to levy the necessary taxes to meet bond issue debt service requirements.

Debt Levy

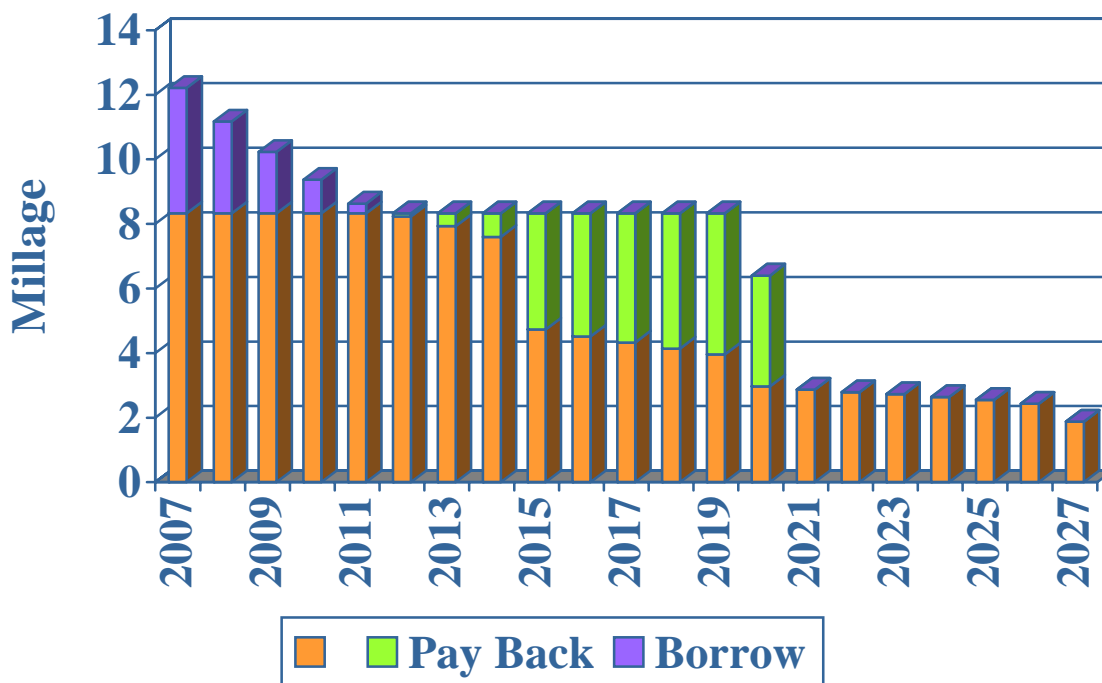


Table A-3		
	2006	2005
Current and other assets	\$ 8,188,454	\$ 10,354,930
Capital assets, net of depreciation	55,873,365	56,088,442
Total assets	64,061,819	66,443,372
Current liabilities	8,685,755	9,775,198
Long-term debt outstanding	66,222,609	67,185,254
Other long-term liabilities	801,158	774,837
Total liabilities	75,709,522	77,735,289
Net assets (deficit):		
Invested in capital assets, net of related debt	(13,012,335)	(13,091,998)
Restricted	627,237	535,446
Unrestricted	737,395	1,264,635
Total net assets (deficit)	\$ (11,647,703)	\$ (11,291,917)

Table A-4		
	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 1,759,929	\$ 1,683,113
Federal and state categorical grants	1,268,020	1,228,565
General revenues:		
Property taxes	6,425,255	6,037,188
State aid - unrestricted	19,202,113	18,766,066
Other	3,175,731	2,706,712
Total revenues	31,831,048	30,421,644
Expenses:		
Instruction	12,923,996	12,641,425
Support services	11,099,746	10,181,789
Community services	916,072	963,240
Outgoing transfers and other transactions	761,377	545,306
Food services	984,285	901,453
Athletics	632,603	591,021
Interest on long-term debt	2,951,051	3,110,034
Unallocated depreciation	1,917,704	1,741,327
Total expenses	32,186,834	30,675,595
Increase(Decrease) in net assets	\$ (355,786)	\$ (253,951)

District Governmental Activities

The District seeks a balance between maximizing resources for the education of our students and maintaining the long-term financial health of the District. The governmental activities mirror that goal. Our support services seek to be efficient at providing the necessary safe, orderly, and positive learning environment so that more dollars are available for the direct instruction of students. Our before-and-after-care program, Kids Connection, and our school breakfast and lunch program seek to be self-supporting and cost effective.

- The state per pupil foundation allowance increased \$175 per student to \$7,033.
- Food Service operated at a deficit of \$35,122 on revenues of \$949,163.
- Kids Connection operated at a net profit of \$57,185 on revenues of \$573,751.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$3.6 million, including \$160,547 in the 2001 Bond Issue Capital Projects Fund.

The General Fund's fund balance decreased \$162,000 to \$2.6 million.

For bond issues, the fund balance increases when the bonds are sold, and the fund balance decreases when construction expenses are incurred. The fund balance for the 2001 Bond Issue Capital Projects Fund decreased \$1.3 million to \$160,547 as construction is complete except for two small elementary carpet projects.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of budget adoption, such as the amount of state aid, the actual number of students and the cost of employee contracts, and must be estimated or projected. Over the course of the budget year, the District revises the annual operating budget several times. For fiscal year 2005-06, these budget amendments included:

- Changes adopted in the third and fourth quarters of the fiscal year to account for final enrollment counts, changes in assumptions since the original budget was adopted.

The District's original budget was adopted with a balanced budget. Budget amendments approved in February and June of 2006 called for budget deficits of \$191,056 and \$150,089 respectively. Actual revenues exceed actual revenues by \$161,593 at year-end. Actual budget variance at year-end June 30, 2006 was .1 percent.

- Actual revenues were \$51,000 higher than budgeted. This variance in excess of the anticipated was due primarily to normal anticipated budget variances.
- Actual expenditures were \$33,000 higher than budgeted. This variance in excess of the anticipated was due primarily to normal anticipated budget variances.
- Actual other financing sources and uses were \$29,000 higher than budgeted. This variance in excess of the anticipated was due primarily to normal anticipated budget variances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2006, the District had invested almost \$72.0 million in a broad range of capital assets, including school buildings, athletic and support facilities, computer and transportation equipment. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year exceeded \$1.9 million.

Table A-5		
	2006	2005
Land	\$ 330,000	\$ 330,000
Construction in progress		8,019,765
Buildings and additions	62,487,983	54,079,731
Equipment and furniture	9,156,445	9,674,455
Subtotal	71,974,428	72,103,951
Accumulated depreciation	16,101,063	16,015,509
Total	<u>\$ 55,873,365</u>	<u>\$ 56,088,442</u>

The District's fiscal year 2006-07 capital budget anticipates completion of spending for the 2001 bond issue projects.

Long-term Debt

At year-end the District had \$70.8 million in general obligation bonds and other long-term debt outstanding – a net reduction of 1.8 percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Table A-6 <i>(in millions of dollars)</i>		
	2006	2005
General obligation debts (financed with property taxes)	\$ 70.2	\$ 71.3
Other	0.8	0.8
Total	<u>\$ 71.0</u>	<u>\$ 72.1</u>

- The District continued to pay down its debt, retiring \$4.1 million of outstanding bonds.
- The District borrowed 2.7 million from the School Bond Loan Fund during 2005-06. This leaves an outstanding SBLF balance of \$7.1 million at year-end.
- The District refinanced \$9,080,000 of its 2001 bond issue. This refinancing is projected to save the district close to \$580,000 in interest costs over the life of the bonds.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- Contracts with all employee groups expired over the summer with negotiations still ongoing. Assumptions regarding salary and benefit increases have been factored into the 2006-07 budget but will need to be updated when contracts have been settled.
- Student enrollment projections continue to be a concern for the District. Negative variances in the actual fall student counts could cause the District to have to make a downward adjustment to current revenue projections.
- The governor has signed the State budget for 2006-07. Increases in foundation allowances amounted to \$210 per pupil. The 2006-07 was adopted using a \$225 per student increase. However, other provisions in the new State budget, including an equity payment of \$23 per student should offset this difference between budget and actual.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Haslett Public Schools, 5593 Franklin Street, Haslett, Michigan 48840.

**HASLETT PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental activities
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 296,056
Investments	3,417,977
Receivables:	
Other governmental units	3,709,435
Taxes	7,275
Other	91,258
Inventories	53,047
Prepaid expenditures	327,661
TOTAL CURRENT ASSETS	7,902,709
NONCURRENT ASSETS:	
Deferred charges, net of amortization	285,745
Capital assets	71,974,428
Less accumulated depreciation	(16,101,063)
TOTAL NONCURRENT ASSETS	56,159,110
TOTAL ASSETS	\$ 64,061,819
LIABILITIES AND NET ASSETS (DEFICIT)	
CURRENT LIABILITIES:	
Accounts payable	\$ 682,104
Accrued interest	524,569
Accrued salaries and related items	2,346,375
Deferred revenue	229,350
Note payable	900,000
Current portion of long-term obligations	3,930,524
Current portion of compensated absences	72,833
TOTAL CURRENT LIABILITIES	8,685,755
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	66,222,609
Noncurrent compensated absences	801,158
TOTAL NONCURRENT LIABILITIES	67,023,767
TOTAL LIABILITIES	75,709,522
NET ASSETS (DEFICIT):	
Invested in capital assets, net of related debt	(13,012,335)
Restricted - capital projects (sinking fund)	627,237
Unrestricted	737,395
TOTAL NET ASSETS (DEFICIT)	(11,647,703)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 64,061,819

**HASLETT PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 12,923,996	\$ 97,209	\$ 792,371	\$ (12,034,416)
Support services	11,099,746	9,800	253,873	(10,836,073)
Outgoing transfers and other transactions	916,072			(916,072)
Community services	761,377	780,917		19,540
Food services	984,285	733,207	215,956	(35,122)
Athletics	632,603	138,796		(493,807)
Interest on long-term debt	2,951,051		5,820	(2,945,231)
Unallocated depreciation	1,917,704			(1,917,704)
Total governmental activities	<u>\$ 32,186,834</u>	<u>\$ 1,759,929</u>	<u>\$ 1,268,020</u>	<u>(29,158,885)</u>
General revenues:				
Property taxes, levied for general purposes				1,821,018
Property taxes, levied for debt service				4,205,290
Property taxes, levied for sinking fund				398,947
Investment earnings				162,416
State sources				19,202,113
Ingham ISD special education allocation				2,575,554
Other				437,761
Total general revenues				<u>28,803,099</u>
CHANGE IN NET ASSETS				(355,786)
NET ASSETS (DEFICIT), beginning of year				<u>(11,291,917)</u>
NET ASSETS (DEFICIT), end of year				<u><u>\$ (11,647,703)</u></u>

HASLETT PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General fund	Debt service 2006 refunding	Capital projects 2001 bond fund	Other nonmajor governmental funds	Total governmental funds
ASSETS					
ASSETS:					
Cash	\$ 66,199	\$ 2,302	\$ 27,419	\$ 200,136	\$ 296,056
Investments	2,481,728		77,488	858,761	3,417,977
Receivables:					
Other governmental units	3,623,440			9,784	3,633,224
Other	91,258				91,258
Due from other funds			150,000	#REF!	#REF!
Inventories	45,259			7,788	53,047
Prepaid expenditures	327,661				327,661
TOTAL ASSETS	\$ 6,635,545	\$ 2,302	\$ 254,907	#REF!	#REF!

LIABILITIES AND FUND BALANCES

LIABILITIES:					
Accounts payable	\$ 182,420	\$	\$ 94,360	\$ 908	\$ 277,688
Accrued interest	26,051				26,051
Accrued salaries and related items	2,320,882			25,493	2,346,375
Deferred revenue	216,932			12,418	229,350
Due to other funds	21,247			158,000	179,247
Due to student groups	404,416				404,416
Note payable	900,000				900,000
TOTAL LIABILITIES	4,071,948		94,360	196,819	4,363,127

	General fund	Debt service 2006 refunding	Capital projects 2001 bond fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:					
Reserved for debt service	\$	\$ 2,302	\$	\$ 281,660	\$ 283,962
Reserved for prepaid expenditures	327,661				327,661
Reserved for inventory	45,259				45,259
Designated for subsequent year's expenditures			160,547	627,237	787,784
Undesignated	2,190,677				2,190,677
TOTAL FUND BALANCES	2,563,597	2,302	160,547	908,897	3,635,343
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,635,545	\$ 2,302	\$ 254,907	\$ 1,105,716	\$ 7,998,470
TOTAL GOVERNMENTAL FUND BALANCES					\$ 3,635,343

Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds					
The cost of the capital assets is				\$ 71,974,428	
Accumulated depreciation is				(16,101,063)	55,873,365
Unamortized deferred charges					285,745
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds payable					(70,153,133)
Compensated absences					(873,991)
Accrued interest is not included as a liability in government funds, it is recorded when paid					(498,518)
Receivables expected to be collected after September 1, 2006:					
IISD					76,211
Property taxes at June 30, 2006					7,275
Net assets (deficit) of governmental activities					\$ (11,647,703)

HASLETT PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General fund	Debt service 2006 refunding	Capital projects 2001 bond fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:					
Local sources:					
Property taxes	\$ 1,854,126	\$	\$	\$ 4,604,237	\$ 6,458,363
Community services and tuition	847,056				847,056
Investment income	74,666	1	29,789	57,960	162,416
Other	457,661			898,793	1,356,454
Total local sources	3,233,509	1	29,789	5,560,990	8,824,289
State sources	19,611,678			33,308	19,644,986
Federal sources	636,679			182,648	819,327
Incoming transfers and other transactions	2,575,554				2,575,554
Total revenues	26,057,420	1	29,789	5,776,946	31,864,156
EXPENDITURES:					
Current:					
Instruction:					
Basic programs	11,209,350				11,209,350
Added needs	1,523,293				1,523,293
Adult and community education	162,639				162,639
Total instruction	12,895,282				12,895,282
Support services:					
Pupil	2,317,143				2,317,143
Instructional staff	1,416,572				1,416,572
General administration	699,288				699,288
School administration	1,665,856				1,665,856
Business	488,721				488,721
Operations and maintenance	2,948,873				2,948,873
Transportation	935,770				935,770
Central	532,141				532,141
Other	112,989				112,989
Total support services	11,117,353				11,117,353
EXPENDITURES (Concluded):					
Current (Concluded):					
Community services:					
Recreation	\$ 311,591	\$	\$	\$	\$ 311,591
Custody and care of children	449,786				449,786
Total community services	761,377				761,377
Outgoing transfers and other	916,072				916,072
Athletics				632,603	632,603
Food service				984,285	984,285
Capital outlay			1,326,852	336,952	1,663,804
Bond issuance costs		129,751			129,751
Debt service:					
Principal retirement				4,068,912	4,068,912
Interest and fiscal charges		257		2,616,042	2,616,299
Total expenditures	25,690,084	130,008	1,326,852	8,638,794	35,785,738
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	367,336	(130,007)	(1,297,063)	(2,861,848)	(3,921,582)
OTHER FINANCING SOURCES (USES):					
Proceeds from refunding debt		9,080,000			9,080,000
Bond discount		(115,341)			(115,341)
Payments to escrow agent		(9,016,350)			(9,016,350)
Proceeds from school bond loan fund				2,685,769	2,685,769
Operating transfers in		184,000	2,001	342,928	528,929
Operating transfers out	(528,929)				(528,929)
Total other financing sources (uses)	(528,929)	132,309	2,001	3,028,697	2,634,078
NET CHANGE IN FUND BALANCES	(161,593)	2,302	(1,295,062)	166,849	(1,287,504)
FUND BALANCES:					
Beginning of year	2,725,190		1,455,609	742,048	4,922,847
End of year	\$ 2,563,597	\$ 2,302	\$ 160,547	\$ 908,897	\$ 3,635,343

See notes to financial statements.

HASLETT PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Net change in fund balances total governmental funds \$ (1,287,504)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(1,917,705)
Capital outlay	1,708,805
Proceeds from assets sold	(6,800)
Loss on sale of capital assets	623

Accrued interest on bonds is recorded in the statement of activities

when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	486,101
Accrued interest payable, end of the year	(498,518)

Proceeds and repayments of principal on long-term debt are other financing

sources and expenditures in the governmental funds, but not in the statement of activities

(where they are additions and reductions of liabilities)

Principal repayment	12,618,912
Proceed from debt refunding	(9,080,000)
Proceed from school loan revolving fund	(2,685,769)
Discount on debt issuance	115,341
Amortization on bond premiums	36,360
Bond issuance costs	129,751
Amortization on bond issue costs	(9,750)
Long-term interest on school bond loan fund (accrued)	(173,173)
Long-term interest on school loan revolving fund (accrued)	(24,474)
Deferred amount on 2006 bond refunding	341,662
Amortization of deferred amount on bond refundings	(47,826)

Revenue is recorded on the accrual method in the statement of activities; in the

governmental funds it is recorded on the modified accrual method and not considered available:

Receivables, beginning of the year	(116,594)
Receivables, end of the year	83,486

Compensated absences are reported on the accrual method in the statement of activities,

and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and severance benefits, beginning of the year	845,277
Accrued compensated absences and severance benefits, end of the year	(873,991)

Change in net assets of governmental activities \$ (355,786)

**HASLETT PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2006**

	Agency funds
	<hr/>
ASSETS	
Due from Haslett Public Schools	<u>\$ 404,416</u>
LIABILITIES	
Due to student groups	<u>\$ 404,416</u>

HASLETT PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Haslett Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Haslett Public Schools (the "District") is governed by the Haslett Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and No. 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2006 refunding debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *2001 capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The capital projects fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2001 capital projects fund. The project for which the 2001 capital projects bonds were issued was considered complete on September 1, 2005.

The following is a summary of the revenue and expenditures for the 2001 capital projects bond activity since inception:

	<u>2001 Bond</u>
Revenue and other financing sources	<u>\$ 30,083,874</u>
Expenditures and transfers	<u>\$ 29,923,327</u>

The above revenue amount includes net bond proceeds of \$27,899,987.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The *capital projects sinking fund* accounts for the receipt of sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead	8.3300
Sinking fund - Homestead and non-homestead	0.7904

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. The Superintendent of Business is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2006. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2006, the District had the following investments.

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
MBIA - pooled short term investments	<u>\$ 1,046,919</u>	<u>0.0027</u>	(1)	<u>100%</u>
Portfolio weighted average maturity		<u>0.0027</u>		
1 day maturity equals 0.0027, one year equals 1.00				

(1) The pooled short term investment fund is not rated, however MBIA as a whole is rated AAA.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The District voluntarily invests certain excess funds in pooled short term investment funds which included money market funds. One of the pooled investment funds utilized by the District is MBIA. MBIA is an external pooled investment fund of “qualified” investments for Michigan school districts. MBIA is not regulated nor is it registered with the SEC. MBIA reports as of June 30, 2006, the fair value of the District’s investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$2,605,548 of the District's bank balance of \$2,905,548 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

The above amounts as previously reported in Note 3:

Deposits - carrying amount	\$ 2,667,114
Investments	<u>1,046,919</u>
	<u><u>\$ 3,714,033</u></u>

The above amounts are reported in the financial statements as follows:

Cash and cash equivalents - district wide	\$ 296,056
Investments - district wide	<u>3,417,977</u>
	<u><u>\$ 3,714,033</u></u>

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 330,000	\$	\$	\$ 330,000
Construction in progress	8,019,765		8,019,765	
Total capital assets not being depreciated	8,349,765		8,019,765	330,000
Capital assets, being depreciated:				
Buildings and additions	54,079,731	8,408,252		62,487,983
Technology	3,944,297	638,440	1,754,446	2,828,291
Furniture and fixtures	3,290,174	521,734		3,811,908
Machinery and equipment	1,086,834	29,956		1,116,790
Transportation equipment	1,353,150	130,188	83,882	1,399,456
Total capital assets, being depreciated	63,754,186	9,728,570	1,838,328	71,644,428
Accumulated depreciation:				
Buildings and improvements	10,939,170	1,075,440		12,014,610
Technology	2,586,877	470,372	1,752,462	1,304,787
Furniture and fixtures	1,160,894	141,570		1,302,464
Machinery and equipment	534,218	107,877		642,095
Transportation equipment	794,350	122,445	79,688	837,107
Total accumulated depreciation	16,015,509	1,917,704	1,832,150	16,101,063
Net capital assets being depreciated	47,738,677	7,810,866	6,178	55,543,365
Net governmental capital assets	\$ 56,088,442	\$ 7,810,866	\$ 8,025,943	\$ 55,873,365

Depreciation for the fiscal year ended June 30, 2006 amounted to \$1,917,704. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - RECEIVABLES

Receivables at June 30, 2006 consist of the following:

Other governmental units	\$ 3,709,435
Taxes	7,275
Other	<u>91,258</u>
	<u><u>\$ 3,807,968</u></u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

NOTE 6 - NOTE PAYABLE

At June 30, 2006, the District has a note payable outstanding of \$900,000. The note has an interest rate of 2.92% and matures August 18, 2006. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2005	Additions	Payments	Balance June 30, 2006
<u>\$ 1,300,000</u>	<u>\$ 900,000</u>	<u>\$ 1,300,000</u>	<u>\$ 900,000</u>

NOTE 7 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

Long-term debts and other obligations currently outstanding are as follows:

1996 serial bonds due with an installment of \$460,000 at May 1, 2007 with interest rate of 6.50%	\$ 460,000
1999 refunding term bonds due in annual installments of \$40,000 to \$505,000 through May 2019 with interest from 4.10% to 4.75%	4,295,000
1999 refunding term bonds due in annual installments of \$455,000 to \$475,000 from May 2020 to May 2026 with an interest rate of 4.75%	3,260,000
2001 serial bonds due in annual installments of \$400,000 to \$800,000 through May 2013 with interest from 3.45% to 4.20%	4,950,000
2001 term bonds due in annual installments of \$1,775,000 to \$2,075,000 from May 2023 to May 1, 2027 with an interest rate of 6.25%	1,200,000
2002 refunding serial bonds due in annual installments of \$835,000 to \$1,025,000 through May 2016 with interest from 3.70% to 4.90%	10,965,000
2002 refunding term bonds due in annual installments of \$780,000 to \$820,000 from May 2017 to May 1, 2019 with an interest rate of 5.0%	2,400,000
2003 refunding term bonds due in annual installments of \$1,682,000 to \$2,106,000 from May 2007 through May 2014 with an interest rate of 3.318%	15,100,000
2005 refunding term bonds due in annual installments of \$35,000 to \$1,650,000 from May 2007 through May 2022 with interest from 3.0% to 5.0%	11,805,000
2006 refunding term bonds due in annual installments of \$55,000 to \$2,090,000 from November 2007 through May 2027 with interest from 4.0% to 4.25%	9,080,000
Less: deferred amount on bond refunding	(1,106,886)
Plus: premium on 2005 bond issuance (net)	581,756
Less: discount on 2006 bond issuance (net)	<u>(115,341)</u>
Total general obligation debt	62,874,529

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

Limited obligation (Durant) bonds due in annual installments of \$13,524 to \$63,023 through May 2013 with an interest rate of 4.76%. Certain future state aid payments have been pledged as security.	\$ 157,511
Total bonded debt	157,511
Borrowings from the State of Michigan under the School Bond Loan, including interest at 4.5% at June 30, 2006	4,410,850
Borrowings from the State of Michigan under the School Loan Revolving Fund, including interest at 4.69% at June 30, 2006	2,710,243
Obligation under contract for compensated absences	150,546
Obligation under contract for severance benefits	723,445
Total general long-term debt	<u>\$ 71,027,124</u>

On February 16, 2006, Haslett Public Schools issued general obligation bonds of \$9,080,000 with an interest rate ranging from 4.00% to 4.25% to advance refund bonds with an interest rate ranging from 4.30% to 5.00%. The bonds mature on May 1, 2027. The general obligation bonds were issued at a discount after paying issuance costs of \$129,751 which includes the underwriters discount, the net proceeds were \$9,016,350. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$579,578, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt of \$447,698.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2006, \$56,615,000 of bonds outstanding are considered defeased.

HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT (Continued)

The annual requirements to amortize long-term debt outstanding as of June 30, 2006, including interest of \$26,636,710 are as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 3,930,524	\$ 2,741,732	\$ 6,672,256
2008	3,967,171	2,514,182	6,481,353
2009	4,047,023	2,392,844	6,439,867
2010	4,042,552	2,223,342	6,265,894
2011	4,124,293	2,071,479	6,195,772
2012-2016	17,620,948	7,961,469	25,582,417
2017-2021	11,935,000	4,640,788	16,575,788
2022-2026	11,915,000	2,002,068	13,917,068
2027	2,090,000	88,826	2,178,826
Total	63,672,511	26,636,730	90,309,241
Due to school bond loan fund	4,410,850		4,410,850
Due to school loan revolving fund	2,710,243		2,710,243
Deferred amount on bond refunding	(1,106,886)		(1,106,886)
Unamortized premium on bond issuance	581,756		581,756
Unamortized discount on bond issuance	(115,341)		(115,341)
Accumulated compensated absences	150,546		150,546
Accumulated severance benefits	723,445		723,445
	<u>\$ 71,027,124</u>	<u>\$ 26,636,730</u>	<u>\$ 97,663,854</u>

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Concluded)

An amount of \$283,962 is available in the debt service funds to service the general obligation debt.

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2006:

	Compensated absences and severance benefits	General obligation bonds	Limited obligations bonds	School bond loan fund	School loan revolving fund	Total
Balance July 1, 2005	\$ 845,277	\$ 66,846,066	\$ 170,423	\$ 4,237,677	\$	\$ 72,099,443
Additions	116,386	9,252,514		173,173	2,710,243	12,252,316
Deletions	(87,672)	(13,224,051)	(12,912)			(13,324,635)
Balance June 30, 2006	873,991	62,874,529	157,511	4,410,850	2,710,243	71,027,124
Less current portion	(72,833)	(3,917,000)	(13,524)			(4,003,357)
Total due after one year	<u>\$ 801,158</u>	<u>\$ 58,957,529</u>	<u>\$ 143,987</u>	<u>\$ 4,410,850</u>	<u>\$ 2,710,243</u>	<u>\$ 67,023,767</u>

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2006 are as follows:

Receivable fund		Payable fund	
Capital projects	\$ 150,000	General	\$ 21,247
Special revenue	21,247	Capital projects	150,000
Debt service	8,000	Debt service	8,000
	<u>\$ 179,247</u>		<u>\$ 179,247</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2006 was 14.87% through September 30, 2005 and 16.34% effective October 1, 2005 through June 30, 2006. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2006, 2005, and 2004 were \$2,436,740, \$2,169,697 and \$1,881,870, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

**HASLETT PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation and property and casualty. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other needs including health insurance.

NOTE 11 - TRANSFERS

The general fund transferred \$493,807 to the athletic and \$35,122 to the food service funds during the current fiscal year. The transfers were to subsidize operations. The capital projects fund - general transferred \$2,001 to the 2001 capital projects fund.

NOTE 12 - SUBSEQUENT EVENTS

The District has approved borrowing \$750,000 for fiscal year 2007 to replace the note payable as described in Note 6.

REQUIRED SUPPLEMENTARY INFORMATION

HASLETT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local	\$ 3,205,915	\$ 3,239,641	\$ 3,233,509	\$ (6,132)
State sources	19,301,995	19,588,515	19,611,678	23,163
Federal sources	670,126	617,459	636,679	19,220
Incoming transfers and other transactions	2,233,502	2,560,360	2,575,554	15,194
Total revenues	25,411,538	26,005,975	26,057,420	51,445
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	11,021,194	11,233,191	11,209,350	23,841
Added needs	1,529,995	1,464,458	1,523,293	(58,835)
Adult and community education	138,713	138,057	162,639	(24,582)
Total instruction	12,689,902	12,835,706	12,895,282	(59,576)
Support services:				
Pupil	2,045,857	2,404,318	2,317,143	87,175
Instructional staff	1,508,383	1,472,735	1,416,572	56,163
General administration	691,147	674,419	699,288	(24,869)
School administration	1,632,985	1,678,557	1,665,856	12,701
Business	485,763	485,821	488,721	(2,900)
Operations and maintenance	2,645,897	2,806,593	2,948,873	(142,280)
Transportation	873,885	939,994	935,770	4,224
Central	542,181	545,621	532,141	13,480
Other	92,902	88,909	112,989	(24,080)
Total support services	10,519,000	11,096,967	11,117,353	(20,386)
EXPENDITURES (Concluded):				
Current (Concluded):				
Community services:				
Recreation	\$ 278,073	\$ 292,856	\$ 311,591	\$ (18,735)
Custody and care of children	462,792	450,240	449,786	454
Total community services	740,865	743,096	761,377	(18,281)
Outgoing transfers and other	962,180	980,704	916,072	64,632
Total expenditures	24,911,947	25,656,473	25,690,084	(33,611)
EXCESS OF REVENUES OVER EXPENDITURES	499,591	349,502	367,336	17,834
OTHER FINANCING USES:				
Operating transfers out	(499,591)	(499,591)	(528,929)	(29,338)
NET CHANGE IN FUND BALANCE	\$	\$ (150,089)	(161,593)	\$ (11,504)
FUND BALANCE:				
Beginning of year			2,725,189	
End of year			\$ 2,563,596	

ADDITIONAL INFORMATION

**HASLETT PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2006**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
ASSETS				
ASSETS:				
Cash	\$	\$ 181,367	\$ 18,769	\$ 200,136
Investments		100,293	758,468	858,761
Receivables:				
Other governmental units	9,784			9,784
Due from other funds	21,247	8,000	#REF!	#REF!
Inventories	7,788			7,788
TOTAL ASSETS	<u>\$ 38,819</u>	<u>\$ 289,660</u>	<u>#REF!</u>	<u>#REF!</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 908	\$	\$	\$ 908
Due to other funds		8,000	150,000	158,000
Accrued salaries and related items	25,493			25,493
Deferred revenue	12,418			12,418
TOTAL LIABILITIES	<u>38,819</u>	<u>8,000</u>	<u>150,000</u>	<u>196,819</u>
FUND BALANCES:				
Reserved for debt service		281,660		281,660
Designated for subsequent year's expenditures			627,237	627,237
TOTAL FUND BALANCES		<u>281,660</u>	<u>627,237</u>	<u>908,897</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 38,819</u>	<u>\$ 289,660</u>	<u>\$ 777,237</u>	<u>\$ 1,105,716</u>

HASLETT PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2006

	Special revenue	Debt service	Capital projects	Total nonmajor governmental funds
REVENUES:				
Local sources:				
Property taxes	\$	\$4,205,290	\$ 398,947	\$ 4,604,237
Investment income		29,111	28,849	57,960
Other	872,003	25,843	947	898,793
Total local sources	872,003	4,260,244	428,743	5,560,990
State sources	33,308			33,308
Federal sources	182,648			182,648
Total revenues	1,087,959	4,260,244	428,743	5,776,946
EXPENDITURES:				
Current :				
Athletics	632,603			632,603
Food service	984,285			984,285
Capital outlay			336,952	336,952
Debt service:				
Principal retirement		4,068,912		4,068,912
Interest and fiscal charges		2,616,042		2,616,042
Total expenditures	1,616,888	6,684,954	336,952	8,638,794
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(528,929)	(2,424,710)	91,791	(2,861,848)
OTHER FINANCING SOURCES:				
Proceeds from school bond loan fund		2,685,769		2,685,769
Operating transfers in	528,929	(184,000)	(2,001)	342,928
Total other financing sources	528,929	2,501,769	(2,001)	3,028,697
NET CHANGE IN FUND BALANCES		77,059	89,790	166,849
FUND BALANCES:				
Beginning of year		204,601	537,447	742,048
End of year	\$	\$ 281,660	\$ 627,237	\$ 908,897

**HASLETT PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006
(with comparative totals for June 30, 2005)**

	Food service fund	Athletics fund	Total	
			2006	2005
ASSETS				
Accounts receivable - other governmental units	\$ 9,784	\$	\$ 9,784	\$ 5,723
Inventory - food service	7,788		7,788	8,127
Due from general fund	9,762	11,485	21,247	20,507
TOTAL ASSETS	\$ 27,334	\$ 11,485	\$ 38,819	\$ 34,357
LIABILITIES				
Liabilities:				
Accounts payable	\$ 908	\$	\$ 908	\$ 27
Accrued salaries and related items	14,008	11,485	25,493	23,187
Deferred revenue	12,418		12,418	11,143
TOTAL LIABILITIES	\$ 27,334	\$ 11,485	\$ 38,819	\$ 34,357

**HASLETT PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
(with comparative totals for the year ended June 30, 2005)**

	Food service fund	Athletics fund	Total	
			2006	2005
REVENUES:				
Sale of lunches and milk	\$ 733,207	\$	\$ 733,207	\$ 667,933
Federal aid	182,648		182,648	179,190
State aid	33,308		33,308	36,293
Miscellaneous				
Athletic events		138,796	138,796	132,738
Total revenues	949,163	138,796	1,087,959	1,016,154
EXPENDITURES:				
Salaries and wages	273,726	318,609	592,335	639,524
Employee benefits	165,796	85,148	250,944	255,646
Supplies and other expenses	18,210	201,756	219,966	96,896
Food costs	457,894		457,894	412,933
Capital outlay		27,090	27,090	39,398
Indirect costs	68,659		68,659	48,077
Total expenditures	984,285	632,603	1,616,888	1,492,474
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35,122)	(493,807)	(528,929)	(476,320)
OTHER FINANCING SOURCES:				
Operating transfer in from general fund	35,122	493,807	528,929	475,388
NET CHANGE IN FUND BALANCES				(932)
FUND BALANCES, beginning of year				932
FUND BALANCES, end of year	\$	\$	\$	\$

**HASLETT PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006
(with comparative totals for June 30, 2005)**

	Nonmajor funds							2006 Refunding	Totals	
ASSETS	1990	1996	1999	2001	2002	2003	2005	Total	2006	2005
Cash	\$	\$ 16,184	\$ 16,183	\$ 51,675	\$ 36,434	\$ 37,327	\$ 23,564	\$ 181,367	\$ 2,302	\$ 183,669
Investments		71,109	1,010	25,147	1,009	1,009	1,009	100,293		100,293
Due from other funds		8,000						8,000		4,322
TOTAL ASSETS	\$	\$ 95,293	\$ 17,193	\$ 76,822	\$ 37,443	\$ 38,336	\$ 24,573	\$ 289,660	\$ 2,302	\$ 204,601
LIABILITIES AND FUND BALANCES										
Liabilities:										
Due to other funds	\$	\$	\$	\$	\$	\$	\$ 8,000	\$ 8,000	\$	\$ 8,000
Fund balances:										
Reserved for debt service		95,293	17,193	76,822	37,443	38,336	16,573	281,660	2,302	204,601
TOTAL LIABILITIES AND FUND BALANCES	\$	\$ 95,293	\$ 17,193	\$ 76,822	\$ 37,443	\$ 38,336	\$ 24,573	\$ 289,660	\$ 2,302	\$ 204,601

HASLETT PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
(with comparative totals for the year ended June 30, 2005)

	Nonmajor funds								2006 Refunding	Totals	
	1990	1996	1999	2001	2002	2003	2005	Durant	Total	2006	2005
REVENUES:											
Local sources:											
Current taxes	\$	\$353,316	\$378,552	\$1,262,418	\$882,940	\$772,600	\$555,464		\$4,205,290	\$	\$3,867,180
Other		1,524	687	1,611	1,529	1,114	646	18,732	25,843		15,188
Interest on investments		6,672	1,403	7,201	5,675	6,131	2,029		29,111	1	21,664
Total revenues		361,512	380,642	1,271,230	890,144	779,845	558,139	18,732	4,260,244	1	3,904,032
EXPENDITURES:											
Redemption of bonds		310,000	35,000	550,000	1,490,000	1,636,000	35,000	12,912	4,068,912		2,807,000
Interest on bonds		49,663	349,953	483,238	645,830	555,300	523,647	5,820	2,613,451		2,961,160
Bond issuance costs										129,751	165,744
Other debt retirement expenses		500	600	500	750		241		2,591	257	1,452
Total expenditures		360,163	385,553	1,033,738	2,136,580	2,191,300	558,888	18,732	6,684,954	130,008	5,935,356
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		1,349	(4,911)	237,492	(1,246,436)	(1,411,455)	(749)		(2,424,710)	(130,007)	(2,031,324)
OTHER FINANCING SOURCES (USES):											
Proceeds from refunding debt										9,080,000	11,840,000
Bond discount										(115,341)	618,116
Payments to escrow agent										(9,016,350)	(12,288,050)
Proceeds from school bond loan fund			6,100		1,228,000	1,438,669	13,000		2,685,769		1,910,583
Operating transfers	(80,325)	80,325		(184,000)					(184,000)	184,000	
Total other financing sources	(80,325)	80,325	6,100	(184,000)	1,228,000	1,438,669	13,000		2,501,769	132,309	2,080,649
NET CHANGE IN FUND BALANCES	(80,325)	81,674	1,189	53,492	(18,436)	27,214	12,251		77,059	2,302	49,325
FUND BALANCES, beginning of year	80,325	13,619	16,004	23,330	55,879	11,122	4,322		204,601		155,276
FUND BALANCES, end of year	\$	\$95,293	\$17,193	\$76,822	\$37,443	\$38,336	\$16,573	\$	\$281,660	\$2,302	\$204,601

**HASLETT PUBLIC SCHOOLS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006**

	<u>General</u>	<u>Sinking fund</u>	<u>Totals</u>
ASSETS			
Cash	\$	\$ 18,769	\$ 18,769
Investments		758,468	758,468
	<u>\$</u>	<u>\$ 777,237</u>	<u>\$ 777,237</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to bond fund	<u>\$</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>
Fund balances:			
Unreserved:			
Designated for subsequent years expenditures		627,237	627,237
TOTAL LIABILITIES AND FUND BALANCES	<u>\$</u>	<u>\$ 777,237</u>	<u>777,237</u>

**HASLETT PUBLIC SCHOOLS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Sinking fund</u>	<u>Totals</u>
REVENUES:			
Current taxes	\$	\$ 398,947	\$ 398,947
Other		947	947
Interest on investments		28,849	28,849
Total revenues		428,743	428,743
EXPENDITURES:			
Capital outlay		336,952	336,952
NET CHANGE IN FUND BALANCES		91,791	91,791
OTHER FINANCING SOURCES:			
Operating transfers out	(2,001)		(2,001)
NET CHANGE IN FUND BALANCES	(2,001)	91,791	89,790
FUND BALANCES, beginning of year	2,001	535,446	537,447
FUND BALANCES, end of year	<u>\$</u>	<u>\$ 627,237</u>	<u>\$ 627,237</u>

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Class of 1997	\$ 3,053	\$	\$	\$ 3,053
Class of 2004	574			574
Class of 2005	1,377	51	346	1,082
Class of 2006	10,335	88	3,121	7,302
Class of 2007	2,534	36,115	31,884	6,765
Class of 2008	560	9,621	5,040	5,141
Class of 2009		5,842	3,378	2,464
Athletic Boosters:				
Baseball Boosters	653	3,286	3,262	677
Basketball Boosters - Girls	280	3,211	3,451	40
Basketball Boosters - Boys	1,628	7,614	5,845	3,397
Cross Country Boosters	926	610		1,536
Football Boosters	1,337	3,921	5,256	2
Golf Boosters - Boys		1,445	1,445	
Golf Boosters - Girls	383			383
Soccer Boosters - Boys	1,830	2,295	1,282	2,843
Soccer Boosters - Girls	546	910	500	956
Softball Boosters - Girls	104	715	668	151
Swimming Boosters - Boys	1,111	6,373	4,784	2,700
Swimming Boosters - Girls	1,956	1,990	1,470	2,476
Tennis Boosters - Boys		1,123	933	190
Tennis Boosters - Girls	250	1,721	1,694	277
Track Boosters - Boys	1,508	839	1,000	1,347
Volleyball Boosters - Girls	462	405	536	331
High School:				
Art		4,152	3,718	434
Band	197		129	68
Baseball Camp	645			645
Basic Classroom - Angell	1,255	600	670	1,185
Basketball	12			12

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
High School (Continued):				
Belnap Memorial Fund	\$ 560	\$	\$	\$ 560
Bowling	176	1,414	680	910
M Bray Memorial Fund	1,790			1,790
Cheerleaders	2,831	11,401	13,180	1,052
Class of 91 Scholarship Fund	7,777		1,000	6,777
Close-up	18			18
College testing	1,305	16,963	16,665	1,603
Community of Caring	83			83
Cross Country Camp	3,136	2,181	2,100	3,217
Diversity is Good	55		10	45
Dixit	7,147	43,961	40,496	10,612
Drama	3,173	1,284	3,423	1,034
Drama and Musical		20,019	18,940	1,079
Driver Ed Textbooks	4,285		4,285	
English	2,001		1,299	702
Fees and Fines	1,285	3,318	3,379	1,224
Football Preseason Camp	2,620	15,737	18,325	32
Flower Fund - HS	170	543	186	527
French	1,556	150	256	1,450
Fund raiser	8,088	2,278	6,014	4,352
V Hoisington Music Fund	30,775	1,807	4,479	28,103
Hockey	2,797	5,502	1,914	6,385
Honor Society	4,077	7,038	8,499	2,616
Invitational Boys	11,246	16,803	16,845	11,204
Invitational Girls	7,029	10,314	10,830	6,513
Japan trip		15,346	14,732	614
Key Club	1,012	500		1,512
Math Department	80	12	92	
Media Center	153	272	224	201
MHSAA Tourney	18,339	90,894	90,459	18,774

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
High School (Continued):				
Myers Memorial	\$ 355	\$	\$	\$ 355
Newspaper	783	3,598	4,081	300
Notebooks - Science		909	896	13
Pals	105	667	553	219
Photography		1,790	1,729	61
 Jacob Pletl Fund	 2,114			 2,114
Physical Education		4,698	4,179	519
Post Prom	244			244
Principal Scholarship Fund		2,000	2,000	
Proud Sponsor Books	2,265	1,346	1,868	1,743
 Refresher	 3,389	 11,217	 6,593	 8,013
Refresher - Athletic	6,277	15,319	2,998	18,598
Revolving	3,551	7,872	8,597	2,826
Rowan Memorial Scholarship	14,350	546	837	14,059
Roy Swergfeger Memorial Fund	1,335			1,335
 School Store	 20,302	 42,061	 43,799	 18,564
Science Department	1,561	6,526	7,096	991
Senior Cap and Gown	417	3,504	3,404	517
Senior Party	278		278	
Soccer Preseason Camp	1,238			1,238
 Softball Preseason Camp	 651			 651
SMART Program	786		133	653
Spanish	4,790			4,790
Spanish - Dinero	97			97
Sports Weightlifters	428	6,637	3,828	3,237
 State Meet Boys	 2,175	 2,019	 3,172	 1,022
State Meet Girls	2,665	2,340	2,215	2,790
Stratford Trip	931	4,675	5,343	263
Student Council	6,214	8,153	4,178	10,189
Swimming - Girl's	1,123	4,981	6,104	

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
High School (Concluded):				
Tech Club	\$ 692	\$ 808	\$ 355	\$ 1,145
Tuesdays with Aaron	3,716		3,716	
TV 25	1,804	8,802	4,978	5,628
Warner Scholarship Fund	7			7
Wrestling	95	77		172
Middle School:				
Activity Fund		2,500		2,500
Band	898			898
Book Club and Book Fair	58	3,469	3,300	227
Choral Music	1,676			1,676
Counseling		300	300	
ECO		630	226	404
PALS	722	257	130	849
Pep	888	144	218	814
Proud Sponsor Books	639	1,379	1,232	786
Revolving	581	22,076	22,506	151
School Fund	6,603	2,273	4,899	3,977
Science Olympiad	28			28
Student Activities		4,726	3,505	1,221
Student Council	4,942	4,173	5,440	3,675
Teachers	1,243	1,067	661	1,649
Theatre Patrons	5,784	2,371	1,261	6,894
Vocational Education	217	387	415	189
Yearbook		13,923	13,645	278
Murphy:				
Book Fair	3,002	10,312	12,022	1,292
Donations and Scholarships	1,625	29	655	999
Field Trips	1,046	30,151	30,769	428
MOST	13,610	35,559	34,088	15,081
Music Boosters - Ice Cream Social	1,267		208	1,059

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Murphy (Concluded):				
Proud Sponsor Books	\$ 675	\$ 1,824	\$ 885	\$ 1,614
Refresher	2,788	3,099	5,104	783
Revolving	3,616	6,780	8,980	1,416
Student Council	3,470	6,013	6,804	2,679
Ralya:				
Box Top Account	3,393	1,960	3,175	2,178
Field Trips	2,667	28,260	28,413	2,514
Music Boosters - Ice Cream Social	1,891	1,026	1,240	1,677
Proud Sponsor Books	1,431	2,167	2,187	1,411
PTO	21,816	26,795	36,332	12,279
Refresher	979	624	650	953
Revolving	6,164	18,865	20,172	4,857
RIF	7,521	11,407	10,161	8,767
Social Fund	202	642	842	2
Student Council	1	150	150	1
Wilkshire:				
Activity	136	1,697	831	1,002
Box Tops	883	568	150	1,301
Field Trip	836	5,001	3,563	2,274
Music Boosters - Ice Cream Social	617		405	212
Proud Sponsor Books	1,789	2,750	1,699	2,840
PTO	12,055	3,463	9,168	6,350
Reading	4,453	11,014	11,050	4,417
Refresher	399	721	255	865
Meridian High School:				
Book Deposit	266			266
Cap and Gown	260	713	744	229
Contributions	1,000			1,000
ESL Activities/Yearbook	5,890			5,890
Flower Fund	280		25	255

**HASLETT PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Meridian High School (Concluded):				
Junior Achievement	\$ 600	\$ 325	\$ 271	\$ 654
Proud Sponsor Books	1	1,025	1,026	
Refresher	6,982	4,094	4,352	6,724
Scholarship	8,561	2,510	1,986	9,085
Senior Snack	238		238	
Yearbook	64	2,136	1,828	372
Community Education:				
Gymnastics	54			54
Revolving	360			360
Administrators' Gift - Flower Fund	6	277	119	164
Bus Garage Refresher	692	638	644	686
District Beverage Support	2,396			2,396
Earth Day	437	427	500	364
Haslett Sec. Conference Fund	344	511	774	81
Admin Refreshment fund	15	212	227	
Revolving		260		260
Rotary Scholarship		4,000	1,000	3,000
Student Assistance Program	3,510			3,510
Teachers Conference		25,675	23,552	2,123
Employer retirement payable		103		103
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 396,385</u>	<u>\$ 814,667</u>	<u>\$ 806,636</u>	<u>\$ 404,416</u>

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2006**

1996 Serial bonds:

Bond issue dated November 6, 1996 for the purpose of additions and renovations to the High School, Middle School and Community Education building, renovations to the elementary schools, technology improvements, and developing and improving District sites. The maturity amount of the original issue was \$12,300,000 of which \$7,080,000 and \$1,685,000 was defeased upon the issuance of the 1999 and 2002 refunding bonds respectively.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
<u>\$ 460,000</u>	<u>\$ 14,950</u>	<u>\$ 14,950</u>	2007	<u>\$ 489,900</u>

The above bond has an interest rate of 6.5%.

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2006**

\$8,250,000 Bonds issued February 1, 1999:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 40,000	\$ 174,276	\$ 174,276	2007	\$ 388,552
40,000	173,456	173,456	2008	386,912
40,000	172,626	172,626	2009	385,252
45,000	171,796	171,796	2010	388,592
200,000	170,840	170,840	2011	541,680
505,000	166,540	166,540	2012	838,080
500,000	155,556	155,556	2013	811,112
495,000	144,681	144,681	2014	784,362
495,000	133,668	133,668	2015	762,336
490,000	122,530	122,530	2016	735,060
485,000	111,260	111,260	2017	707,520
480,000	100,105	100,105	2018	680,210
480,000	88,825	88,825	2019	657,650
475,000	77,425	77,425	2020	629,850
470,000	66,144	66,144	2021	602,288
470,000	54,981	54,981	2022	579,962
465,000	43,819	43,819	2023	552,638
465,000	32,775	32,775	2024	530,550
460,000	21,731	21,731	2025	503,462
455,000	10,800	10,800	2026	476,600
<u>\$ 7,555,000</u>	<u>\$ 2,193,834</u>	<u>\$ 2,193,834</u>		<u>\$ 11,942,668</u>

The above bonds have interest rates from 4.10% to 4.75%. The bond proceeds were used to refinance a portion of the 1996 bond issue and the remaining 1975 bond issue.

Original Issue	Amount Outstanding
\$ 4,990,000	\$ 4,295,000
3,260,000	3,260,000
<u>\$ 8,250,000</u>	<u>\$ 7,555,000</u>

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2006**

\$27,900,000 Bonds issued November 8, 2001:

Principal due May 1,	Interest due		Debt service requirement for the fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 675,000	\$ 125,944	\$ 125,944	2007	\$ 926,888
675,000	114,300	114,300	2008	903,600
675,000	101,981	101,981	2009	878,962
675,000	89,325	89,325	2010	853,650
725,000	76,163	76,163	2011	877,326
725,000	61,663	61,663	2012	848,326
800,000	46,800	46,800	2013	893,600
	30,000	30,000	2014	60,000
	30,000	30,000	2015	60,000
	30,000	30,000	2016	60,000
	30,000	30,000	2017	60,000
	30,000	30,000	2018	60,000
	30,000	30,000	2019	60,000
	30,000	30,000	2020	60,000
	30,000	30,000	2021	60,000
	30,000	30,000	2022	60,000
1,200,000	30,000	30,000	2023	1,260,000
<u>\$ 6,150,000</u>	<u>\$ 916,176</u>	<u>\$ 916,176</u>		<u>\$ 7,982,352</u>

The above bonds have interest rates from 3.45% to 5.625%. The bonds were issued for the purpose of erecting, furnishing and equipping an addition and or additions to existing school buildings, acquiring and installing educational technology; constructing improvements to playgrounds and athletic fields; erecting, furnishing and equipping a swimming pool as an addition to the Haslett High School; remodeling and re-equipping existing pool areas for educational purposes and developing and improving sites.

Original Amount	Amount Outstanding
\$ 14,900,000	\$ 4,950,000
3,250,000	
9,750,000	1,200,000
<u>\$ 27,900,000</u>	<u>\$ 6,150,000</u>

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2006**

\$16,110,000 Bonds issued February 12, 2002:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 1,025,000	\$ 297,585	\$ 297,585	2007	\$ 1,620,170
1,465,000	278,623	278,623	2008	2,022,246
1,440,000	250,055	250,055	2009	1,940,110
1,420,000	220,175	220,175	2010	1,860,350
1,235,000	190,000	190,000	2011	1,615,000
915,000	162,830	162,830	2012	1,240,660
895,000	142,243	142,243	2013	1,179,486
880,000	121,658	121,658	2014	1,123,316
855,000	100,978	100,978	2015	1,056,956
835,000	80,458	80,458	2016	995,916
820,000	60,000	60,000	2017	940,000
800,000	39,500	39,500	2018	879,000
780,000	19,500	19,500	2019	819,000
<u>\$ 13,365,000</u>	<u>\$ 1,963,605</u>	<u>\$ 1,963,605</u>		<u>\$ 17,292,210</u>

The above bonds have interest rates from 3.7% to 5.0%. The bond proceeds were used to refinance the 1992 bond issue and a portion of 1996 bond issue.

Original amount	Amount outstanding
\$ 13,710,000	\$ 10,965,000
<u>2,400,000</u>	<u>2,400,000</u>
<u>\$ 16,110,000</u>	<u>\$ 13,365,000</u>

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2006**

\$17,160,780 Bonds issued September 30, 2003:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 1,682,000	\$ 250,509	\$ 250,509	2007	\$ 2,183,018
1,738,000	222,605	222,605	2008	2,183,210
1,794,000	193,771	193,771	2009	2,181,542
1,852,000	164,009	164,009	2010	2,180,018
1,913,000	133,284	133,284	2011	2,179,568
1,975,000	101,547	101,547	2012	2,178,094
2,040,000	68,782	68,782	2013	2,177,564
2,106,000	34,939	34,939	2014	2,175,878
<u>\$ 15,100,000</u>	<u>\$ 1,169,446</u>	<u>\$ 1,169,446</u>		<u>\$ 17,438,892</u>

The above bond has an interest rate of 3.318%. The bond proceeds were used to refinance existing borrowings from the Michigan School Bond Loan Program.

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2006**

\$11,840,000 Bonds issued May 26, 2005:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 35,000	\$ 280,838	\$ 280,838	2007	\$ 596,676
35,000	280,313	280,313	2008	595,626
35,000	279,788	279,788	2009	594,576
35,000	279,263	279,263	2010	593,526
35,000	278,720	278,720	2011	592,440
35,000	278,151	278,151	2012	591,302
35,000	277,556	277,556	2013	590,112
875,000	276,944	276,944	2014	1,428,888
1,030,000	255,069	255,069	2015	1,540,138
1,100,000	229,319	229,319	2016	1,558,638
1,195,000	201,819	201,819	2017	1,598,638
1,290,000	171,944	171,944	2018	1,633,888
1,380,000	139,694	139,694	2019	1,659,388
1,475,000	105,194	105,194	2020	1,685,388
1,565,000	68,319	68,319	2021	1,701,638
1,650,000	35,063	35,063	2022	1,720,126
<u>\$ 11,805,000</u>	<u>\$ 3,437,994</u>	<u>\$ 3,437,994</u>		<u>\$ 18,680,988</u>

The above bonds have interest rates from 3.0% to 5.0%. The bond proceeds were used to refinance \$11,475,000 of 2001 bond issue.

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2006**

\$9,080,000 Bonds issued February 16, 2006

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$	\$ 185,513	\$ 262,809	2007	\$ 448,322
	185,513	185,513	2008	371,026
	185,513	185,513	2009	371,026
	185,513	185,513	2010	371,026
	185,513	185,513	2011	371,026
	185,513	185,513	2012	371,026
	185,513	185,513	2013	371,026
	185,513	185,513	2014	371,026
	185,513	185,513	2015	371,026
	185,513	185,513	2016	371,026
	185,513	185,513	2017	371,026
55,000	185,513	185,513	2018	426,026
60,000	184,413	184,413	2019	428,826
60,000	183,213	183,213	2020	426,426
65,000	182,013	182,013	2021	429,026
65,000	180,713	180,713	2022	426,426
640,000	179,413	179,413	2023	998,826
1,940,000	166,613	166,613	2024	2,273,226
2,025,000	127,813	127,813	2025	2,280,626
2,080,000	87,313	87,313	2026	2,254,626
2,090,000	44,413	44,413	2027	2,178,826
<u>\$ 9,080,000</u>	<u>\$ 3,562,073</u>	<u>\$ 3,639,369</u>		<u>\$ 16,281,442</u>

The above bonds have interest rates from 4.0% to 4.25%. The bond proceeds were used to refinance \$8,550,000 of 2001 bond issue.

**HASLETT PUBLIC SCHOOLS
BONDED DEBT
JUNE 30, 2006**

\$266,756 Durant Bond – issued on November 24, 1998

Principal due May 15,	Interest due May 15,	Debt service requirement for fiscal year	
		June 30,	Amount
\$ 13,524	\$ 5,206	2007	\$ 18,730
14,171	4,562	2008	18,733
63,023	25,376	2009	88,399
15,552	3,180	2010	18,732
16,293	2,439	2011	18,732
17,068	1,664	2012	18,732
17,880	851	2013	18,731
<u>\$ 157,511</u>	<u>\$ 43,278</u>		<u>\$ 200,789</u>

This bond is not subject to redemption prior to maturity by the District and the District hereby covenants that it will not issue any other bonds or obligations for the purpose of refunding this bond. The 4.76% interest rates payable on this bond may be adjusted in the sole discretion of the Authority provided that no interest rate shall exceed the maximum rate permitted by law and no interest rate adjustment which causes the total interest payable on this bond to increase shall be permitted.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the District (the "State Aid Payments"). The District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the District and does not constitute an indebtedness of the District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's depository.

HASLETT PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL BOND LOAN PROGRAM
JUNE 30, 2006

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Program. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. In September 2003, \$17,160,780 of bonds were issued specifically for repayment of existing borrowings under the Michigan School Bond Loan Fund. The borrowings from and repayments to the State under this program have been summarized as follows:

Year ended June 30,	Loan proceeds	Interest expense	Loan balance (net change)
1992	\$ 1,123,900	\$ 21,833	\$ 1,145,733
1993	994,500	52,458	1,046,958
1994	965,000	73,873	1,038,873
1995	1,010,846	138,840	1,149,686
1996	929,747	258,628	1,188,375
1997	1,235,000	320,769	1,555,769
1998	1,528,127	410,278	1,938,405
1999	1,321,000	485,822	1,806,822
2000	1,087,000	570,656	1,657,656
2001	884,111	625,588	1,509,699
2002	838,000	597,304	1,435,304
2003	1,404,000	542,669	1,946,669
2004	1,833,000	146,451	1,979,451
2004 loan repayment	(13,321,231)	(3,839,549)	(17,160,780)
2005	1,910,583	88,474	1,999,057
2006		173,173	173,173
Totals June 30, 2006	<u>\$ 3,743,583</u>	<u>\$ 667,267</u>	<u>\$ 4,410,850</u>

HASLETT PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL LOAN REVOLVING FUND
JUNE 30, 2006

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from and repayments to the State under this program have been summarized as follows:

Year ended June 30,	Loan proceeds	Interest expense	Loan balance (net change)
2006	\$ 2,685,769	\$ 24,474	\$ 2,710,243

HASLETT PUBLIC SCHOOLS
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2006

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Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Haslett Public Schools
Haslett, Michigan

August 4, 2006

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Haslett Public Schools as of and for the year ended June 30, 2006, which collectively comprise Haslett Public Schools' basic financial statements and have issued our report thereon dated August 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Haslett Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Education
Haslett Public Schools

August 4, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Haslett Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Haslett Public Schools in a separate letter dated August 4, 2006.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer, Costenaro & Ellis, P.C.

Certified Public Accountants



Lamonte T. Lator
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Haslett Public Schools
Haslett, Michigan

August 4, 2006

Compliance

We have audited the compliance of Haslett Public Schools with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. Haslett Public Schools' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Haslett Public Schools' management. Our responsibility is to express an opinion on Haslett Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Haslett Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Haslett Public Schools' compliance with those requirements.

In our opinion, Haslett Public Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

544 Cherbourg Drive • Suite 200 • Lansing, Michigan 48917-5010 • (517) 323-7500 • Fax (517) 323-6346 • www.mcecpa.com



Internal Control Over Compliance

The management of Haslett Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Haslett Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Haslett Public Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated August 4, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Haslett Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mamey Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

HASLETT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2005	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2006
<u>U.S. Department of Agriculture:</u>								
Passed through the Michigan Department of Education:								
Child Nutrition Cluster:								
NSL - breakfast	10.553	051970	\$ 15,412	\$	\$	\$ 2,297	\$ 2,297	\$
		061970	14,735			14,735	14,735	
			30,147			17,032	17,032	
National School Lunch	10.555	051950	38,795			6,798	6,798	
		061950	39,821			39,821	39,821	
		051960	71,604			12,832	12,832	
		061960	75,181			75,181	75,181	
			225,401			134,632	134,632	
Total Child Nutrition Cluster			255,548			151,664	151,664	
Commodities: Food Distribution								
Entitlement	10.550		39,104			30,394	30,394	
Bonus			590			590	590	
			39,694			30,984	30,984	
Total U.S. Department of Agriculture			295,242			182,648	182,648	

The accompanying notes are an integral part of this schedule.

HASLETT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2005	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2006
U.S. Department of Education:								
Passed through the Michigan Department of Education :								
A.B.E. Section 306	84.002	051120/6500055	\$ 18,259	\$	\$	\$ 16,246	\$ 18,259	\$ 2,013
		061120/6500055	31,241			27,661	31,241	3,580
		061130/610166	130,000			111,586	130,000	18,414
		061150/640005	2,000			2,000	2,000	
			181,500			157,493	181,500	24,007
Title I	84.010	051530/0405	234,408	44,325	234,408	44,325		
		061530/0506	234,408			215,792	234,408	18,616
			468,816	44,325	234,408	260,117	234,408	18,616
Title II Part D	84.318	064290/0506	4,373				4,373	4,373
Title V	84.298	050250/0405	1,776			1,776	1,776	
		060250/0506	1,189			1,189	1,189	
			2,965			2,965	2,965	
Reading First Grant	84.357	052910/020303	93,612			71,056	93,322	22,266

The accompanying notes are an integral part of this schedule.

HASLETT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/2005	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/2006
U.S. Department of Education (Concluded):								
Improving Teacher Quality	84.367	050520/0405 060520/0506	\$ 84,385 83,644	\$ 15,010	\$ 78,628	\$ 20,767 54,602	\$ 5,757 83,664	\$ 29,062
			168,029	15,010	78,628	75,369	89,421	29,062
Total passed through Michigan Department of Education			919,295	59,335	313,036	567,000	605,989	98,324
Passed through Ingham Intermediate School District:								
Individuals with Disabilities Education Act - Service Provider Self-Review	84.027A	060440/SPSR	4,400				4,400	4,400
Individuals with Disabilities Education Act	84.173	050460/0405 060460/0506	17,103 15,871	17,103	17,103	17,103	15,871	15,871
Total passed through Ingham Intermediate School District			37,374	17,103	17,103	17,103	20,271	20,271
Total U.S. Department of Education			956,669	76,438	330,139	584,103	626,260	118,595
U.S. Department of Health and Human Services								
Passed through Ingham Intermediate School District Medicaid Outreach	93.778					26,001	26,001	
U.S. Department of Homeland Security:								
Passed through Michigan State Police:								
Homeland Security	97.004	2004-05		(10,419)			10,419	
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,251,911	\$ 66,019	\$ 330,139	\$ 792,752	\$ 845,328	\$ 118,595

The accompanying notes are an integral part of this schedule.

HASLETT PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTES:

1.

Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Haslett Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.

2. CFDA # 84.010 was audited as the major program, representing 28% of expenditures.

3. The threshold for distinguishing Type A and Type B programs was \$300,000.

4. Management has utilized the Grant Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.

5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 636,679
Special revenue fund	182,648
Medicaid outreach recorded as incoming transfer on funds financial statements	<u>26,001</u>
	<u><u>\$ 845,328</u></u>

**HASLETT PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

* Material weakness(es) identified: _____ Yes X No

* Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified: _____ Yes X No

* Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

Dollar threshold used to distinguish between type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**HASLETT PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2006**

There were no audit findings in the prior year.



Lamonte T. Lator
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August 4, 2006

To the Board of Education
Haslett Public Schools
Haslett, Michigan

In planning and performing our audit of the financial statements of Haslett Public Schools for the year ended June 30, 2006, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 4, 2006, on the financial statements of Haslett Public Schools.

Prior Year Comments - Resolved:

Numerical Sequence of Checks

We are pleased to announce Haslett Public Schools has strengthened its internal control structure by maintaining numerical sequence of checks.

New Rules For §403(B) Plans

Although regulations have not been finalized on requirements to have a written plan document for §403(B) plans, Haslett Public Schools has been keeping updated plan documentation.

Current Year Comments:

Cash Management-Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the district within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during FY 2006/2007. Thirty-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management. We suggest the district request funds on a reimbursement basis in order to ensure compliance with the cash management requirements.

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letters to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (Overspending your budget by line item).
- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would put the district in a deficit.

The Department is also currently reviewing their interpretation of Section 17(2). This would be a situation where a District's actual revenues were less than budgeted revenues and, at the same time, depleted the district fund balance, beyond what was approved in total by the school board.

We recommend you continue to review your current budget amendments during the year. There will be situations where there continue to be budget violations as disclosed in footnote 2 subsection 3 of the financial statements. While there may be technical violations of the act we believe the District's current budget procedures are adequate.

New Auditing Standards

Recently, 10 new auditing standards have been released and will become effective over the District's next two fiscal years. In reviewing the new standards, we do not believe, for the most part, they will have a significant impact on our overall audit approach. However, two of the new standards may directly impact the District beginning with the June 30, 2007 year-end.

One of the new standards revises the dating of the auditors' report. Under the old standards, the auditors' report was dated the last day of fieldwork. The new standards define the date as the date adequate audit evidence is obtained. Adequate audit evidence is now being interpreted as including the client's approval of draft financial statements. Although the dating of the report may seem trivial to non-auditors, it does have an impact on auditors' subsequent events work (June 30 through date of the auditors' report). The impact to the District could be if there was a long period of time needed to resolve certain open issues. This would extend the dating of the auditors' report and increase the amount of work we need to complete our subsequent events work.

To the Board of Education
Haslett Public Schools
Haslett, Michigan

4

August 4, 2006

Another standard effective for the June 30, 2007 year-end is related to our communications with the client. The new standard retained the definition of a “material weakness” and added two new categories of deficiencies “significant deficiency” and “control deficiency”. Certain situations were included as examples of strong indicators of significant deficiencies and possibly material weaknesses. One of the situations is the client is unable to write financial statements, including the footnotes, in accordance with generally accepted accounting principles. Historically, we have prepared the financial statements and footnotes for the District. We will have to evaluate the District’s ability to produce appropriate financial statements and footnotes and, accordingly, if any control deficiencies exists.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Haslett Public Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

A handwritten signature in black ink that reads "Mary Costigan, E. Ellis, P.C." The signature is written in a cursive, flowing style.



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August 4, 2006

To the Board of Education
Haslett Public Schools
Haslett, Michigan

We have audited the financial statements of Haslett Public Schools for the year ended June 30, 2006, and have issued our report thereon dated August 4, 2006. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Haslett Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Haslett Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Haslett Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major programs for the purpose of expressing an opinion on Haslett Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Haslett Public School's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Haslett Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by Haslett Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the liability of the payout for employee compensated absences upon their retirement is based on expected payout. In addition, certain fixed assets were originally recorded using external appraisers estimates. Certain allocations on the statement of activities are based on estimates. We evaluated the key factors and assumptions used to develop the balance of compensated absences and value of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Haslett Public School's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Haslett Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the Haslett Public School's financial reporting process.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Haslett Public School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Haslett Public School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Education and management of Haslett Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mayer, Costenaro & Ellis, P.C.